

# **FACTORS INFLUENCE SUKUK AND CONVENTIONAL BONDS IN MALAYSIA**

**GHEMARI ABD ELKARIM**

**UNIVERSITI UTARA MALAYSIA**

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# Factors Influence Sukuk and Conventional Bonds in Malaysia

By  
Ghemari Abd Elkarim

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## **ABSTRACT**

The study attempts to investigate the impact influence of macroeconomic variables on Sukuk and conventional bonds issuance during periods that include the Malaysian period of economic crisis. This study examines three variables in relation to Sukuk and conventional bonds issuance for the period of 1990-2011: (i) gross domestic product (GDP), (ii) inflation rate, and (iii) interest rate. The results of the regression analysis for Sukuk indicate that, there is a negative effect and significant relationships between GDP, inflation rate and interest rate with Sukuk issuance. However, for conventional bonds, only GDP shows a significant negative effect on the relationship.

Keywords: Financial Crisis, Sukuk, conventional bonds. Malaysia's Capital Market

## **ABSTRACT**

Kajian ini bertujuan untuk mengkaji kesan pengaruh pembolehubah makroekonomi pada pengeluaran Sukuk dan bon konvensional, dengan memberi tumpuan kepada Pasaran Modal Malaysia. Kajian ini meneliti pengaruh tiga pembolehubah ke atas terbitan Sukuk dan bon konvensional bagi tempoh 1990-2011: (i) Keluaran Dalam Negara Kasar (KDNK), (ii) kadar inflasi, dan (iii) kadar faedah. Keputusan wujud kesan negatif yang signifikan keatas antara KDNK, kadar inflasi dan kadar faedah dengan pengeluaran Sukuk. Basi bon konvensional. Hanya KDNK menunjukan hubungan yang negative dan signifikan.

Katakuci: Krisis Kewangan, Sukuk, bon konvensional, Pasaran Modal Malaysi

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The global financial crisis of 2008-2009 and was centred in the United States has brought an enormous impact on the global economy. As the asset bubble by a number of derivative financial instruments, among other causes, the subprime boom in the housing and banking crisis led to a domino effect on consumer and investment demand exploded. The housing crisis and quickly grew into a banking crisis, with investment banks and dealers first absorb the impact before it spread to the commercial banks (Krugman, 2009).

According to Mahani and Rajah (2009), the sharply contracting economy of the United States, sent ripples across export-dependent Asian economies, which began to face a contraction as a consequence. Hence, although the Malaysian economy was insulated from the direct effects of financial exposure because the new derivatives were not allowed into the country, the global financial crisis has cast doubt on the Government's plans to achieve vision 2020, due to a collapse in exports and a slowdown in foreign direct investment (FDI). The global financial crisis that has spilled from the financial sector to the real economy, including international trade in manufacturing commodities and service, in this case Sukuk has sometime lost the investment opportunities for Muslims that offer an expected return with low risk, because the majority of investment of opportunities is based on real estate transactions.

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